

Tax Withholding News

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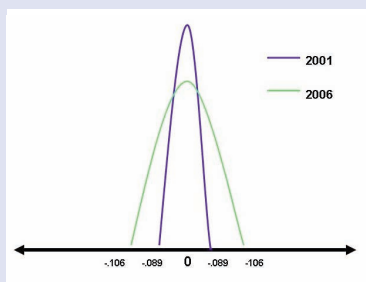
prepared by **GLOBETAX**

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Counter Intuitive?...

Harmonization is actually increasing complexity!



See page 3 for details on harmonization of tax rates

sibos

Official exhibitor 2007

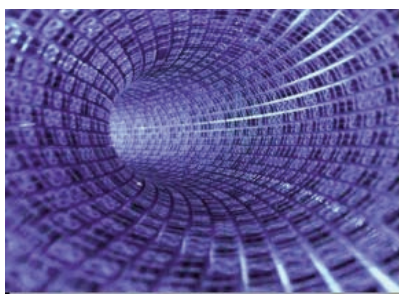
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GlobeTax to Present at Boston SIBOS Open Theatre Session

The presentation, entitled "**Experiences in Tax Reclamation - the new paradigm for automating corporate actions using SWIFT**", will feature case studies from new subscribers using both FileAct and ISO15022 SWIFT messages for data transfer and will take place at **3:30 pm on October 2nd at location G25 in the SIBOS convention hall.**

"The session will highlight the importance of SWIFT, and by inference its members, ascribe to the automation of corporate actions," explains Ross McGill of GlobeTax. The presentation, to be moderated by Mr. McGill, will highlight the key elements of the process including a description of the set up procedures and timescales. Joining Mr. McGill, Linda Bookheim, Senior Business Manager, Custodian Sales from SWIFT will speak to some of the operational details and Deborah Mercer-Miller, Vice President, Global Transaction Services of Citi will provide a customer based view of the process, its delivery, the benefits they and their clients have enjoyed as a result and the advantages they see going forward with this innovative approach.

STP goes Virtual! with Value Node Processing



The concept of STP or Straight Through Processing in securities corporate actions has been around for a quarter century. Most operations personnel in the securities industry are quite familiar with (and supportive of) the movement to achieve end-to-end automation in the life-cycle of corporate actions. While great strides have been made in the process-

ing of corporate actions overall, there are certain corporate actions which to this point have been un-automatable. This is due, by and large, to the fact that there are still elements within the processes for these 'hold-outs' that are beyond the control of custodians and still lie with regulators, issuers and taxation authorities.

Len Lipton, GlobeTax's Vice President of Marketing explains, "While the income processing and allocation portion of tax processing has been automated by most custodians, at present, when performed internally by a custodian, tax processing cannot be fully automated even using in-house or even third party software systems. The market processes involved dictate that about 60% of the process is still manual, requiring tax research, form filling and hardcopy communications with clients as well as, local and foreign tax authorities. Our answer to this conundrum is **V-STP** or Virtual Straight Through Processing."

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Tax Reclaim Service Bureau

- Product Profile

TRSB is a Service Bureau operated by GlobeTax, authorized by SWIFT, to provide value added services to the SWIFT user community. TRSB allows subscribing institutions to:

1. Outsource all or part of their existing withholding tax functions to GlobeTax to automate the corporate actions process using ISO 15022 standard messaging;
2. Set-up a new Virtual STP (V-STP) based withholding tax service;
3. Send income data to TRSB under authority from a client already contracted to use GlobeTax.

TRSB replaces the need for internal or third party software!

Service Elements:

- Document acquisition & management
- Global withholding tax research
- Ongoing income monitoring
- Reclaim identification
- Local certification assistance
- Filing to tax authorities / agent banks
- Legacy and "at risk" reclaim service
- Applications for RAS / exemption
- Reconciliations
- Data scrub
- Quarterly status reporting
- Reclaim Form completion
- Follow-ups
- Payments

Metrics

Volume:

1,000,000+ reclaims filed annually

Fail Rate:

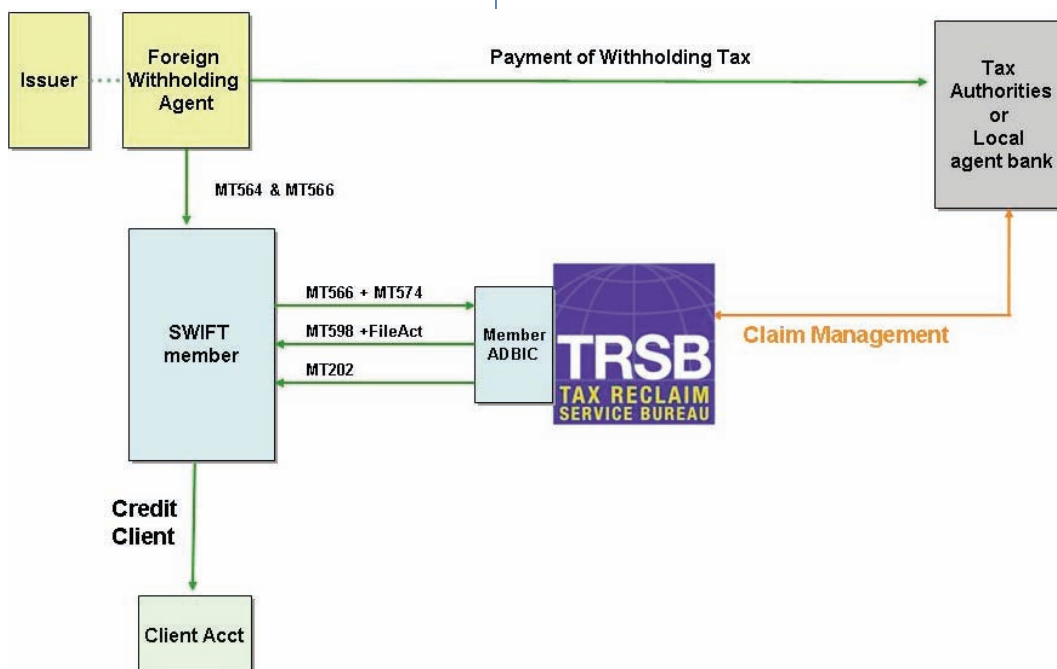
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Instrument Types:

Ordinary Shares (ORDs)
Fixed Income, including Eurobonds
Depository Receipts (ADR, GDR, IDR)

Beneficial Owner Types:

Asset Managers, Corporations,
Foundations, Hedge Funds,
Individuals, Mutual Funds, Omnibus,
Partnerships, Pension Funds, SICAVs,
Sovereign Entities, Trusts, UCITS III



Connectivity Options

FIN

All data transmitted and received in ISO 15022 format within FIN message types: MT574, MT566 and MT598

FileAct

All data transmitted and received in pre-agreed format wrapped in FileAct files

Combo

Combination of FIN and FileAct transmissions based on subscriber set up and requirements

The Complexity of Harmonization?

As globalization is in a sense making the world "smaller", borders have virtually become invisible lines, especially in the financial realm. There is a movement, at both regulatory and best practice levels, to "harmonize" taking place and countries are lowering statutory tax rates to encourage inward investment into their markets. Though this should level playing field, it is actually creating more complexity.

Legislators of the most industrialized countries and in particular, the member countries of the Organization for Economic Co-Operation and Development (OECD), recognize the importance of creating and implementing a virtually borderless system so that the same tax privileges are extended to outside investors coming into their country as they would their own citizens.

Removing barriers is a movement that has spread across the European economic realm. There are now protocols in place such as Giovannini 11, which states, "all financial intermediaries established within the EU should be allowed to offer withholding agent services in all of the Member States, so as to ensure a level playing field between local and foreign intermediaries."

Because tax laws of many countries impose high withholding taxes, if foreign investors can't enjoy a reduced withholding rate (often because of a treaty), they are disadvantaged, in comparison to investors that do enjoy the benefit of lower withholding taxes. The difference is often 10%-20% of the total yield of the stock or bond.

At over \$33 trillion the amount of cross border investment today is almost five times the amount registered in 1996. Following a world-wide, long-term trend, the average statutory withholding tax rate on dividends of the OECD countries has decreased in the last 6 years from 22% to 19%. The average statutory withholding tax rate, across the wider baseline of 220 markets, is 13%. Additionally, the last 6 years have seen more than 10 changes in statutory withholding tax rates among OECD countries. (Source: GlobeTax Data Services, Inc.)

A study conducted in May 2007, by GlobeTax Data Services, Inc., compared the standard deviation of the OECD countries showing the effects of so-called harmonization. The resulting analysis presents an interesting but unexpected scenario. According to the data analyzed, the complexity of the market has not decreased at all but has decisively increased. In 2001, the statutory withholding tax rates of the OECD countries had a standard deviation of 0.089 from the mean. Today the standard deviation is 0.106 from the mean, an increase of 17 basis points, 18% greater deviation than existed in 2001.

Adding to the complexity, each country uses different beneficial owner definitions, varied security types, as well as,

languages and cultural nuances, all of which further impede the creation of a level playing field.

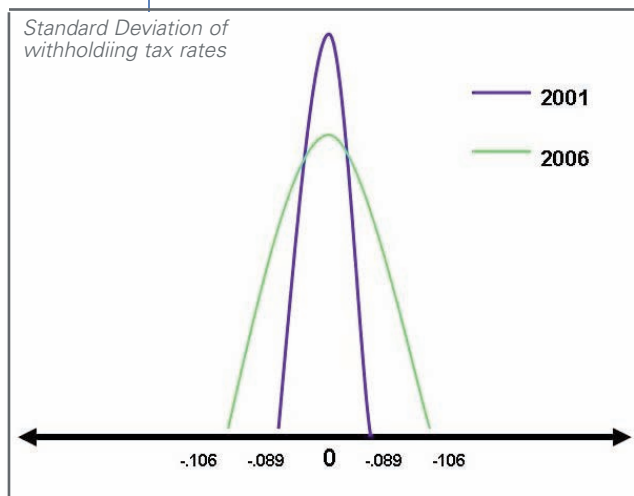
What does this mean for an investor? The increase in the standard deviation shows that the range of the OECD countries tax rates from the average statutory withholding tax rate has increased. **For investors and their financial institutions, this reflects growing complexity in managing cross border taxation issues, especially in the major countries of investment.**

"Stur"man Says...

In his ongoing series, Jonathan Sturman, Senior Tax Reclaim Manager with GlobeTax, offers key advice to those responsible for processing tax reclaims in the market.

"As an outsourcing company, we take great pains to insure that our customers are getting the full benefits of outsourcing their withholding tax processing to us. Sometimes, this means taking data files that are sent to us in a format other than what we have prescribed and requested. In the normal course of business we will often work to parse the files due to the difference in what we request and actually receive so that we are doing this manual intensive work and saving our clients from doing the work on their side. By using TRSB (Tax Reclaim Service Bureau), our clients are increasingly sending FIN messages which are in a standard and consistent format, reducing the need for manual intervention which slows down the recovery. **The increase in data consistency due to SWIFT's network validation rules, so data comes to us pre-qualified, greatly speeds our internal processes, in-turn allowing us to provide better service and quicker recovery times to our clients.**"

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"Stur"man Says...

continued from page 3

"Additionally, what enables us, or any outsource provider, the ability to deliver better, faster value to our clients is enabling an automated process or STP. **Because SWIFT messages are standardized ISO15022 format, we have been able to build our internal process so that integration into our systems became automatic, so we maximize our own STP and make the service V-STP for our clients.**"

STP Goes Virtual!

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The process GlobeTax has implemented to this solve problem, essentially using SWIFT connectivity, ISO standards and Value Node Processing. Value Node Processing allows us to create a value added service, such as tax reclamation so that it is easily accessible to SWIFT members on the network through which all the manual elements of the process are outsourced to us. The result is that, tax processing becomes an automated feed **OUT** representing beneficial owner data and an automated feed **IN** representing status reports for integration into internal systems and ultimately credits of recovered tax to client accounts. Hence, Virtual-STP (**V-STP**) from the custodian's perspective."

Ross McGill on behalf of GlobeTax and joined by senior representatives from SWIFT and Citi will present a case study on **V-STP** at SWIFT's annual SIBOS conference in Boston where it has been awarded one of the few Open Theatre time slots.

Market Updates

Uruguay

The tax reform Act No. 18.083 of December 27, 2007, enacted by two Decrees on June 18, 2007 has established that, effective July 1st, 2007, dividends distributed to both non-Uruguayan residents and Uruguayan residents are subject to a withholding tax of 7%. The previous statutory withholding tax rate on dividends applicable to non-residents was 30%.

List of Double Tax Treaties effective January 1, 2008

Austria - Czech Republic
Austria - Latvia
Belgium - San Marino
Canada - Mexico
Czech Republic - Georgia
France - Slovenia
Israel - Portugal
Italy - Syria
Netherlands-Barbados
Switzerland-Azerbaijan
United Kingdom-Macedonia

Please note that this is not a complete list for more information on our data services please email e-TaxDataOnline@GlobeTax.com

Education 2007

Courses

Withholding Tax Strategy

London: Nov 20/21

Qualified Intermediary Update

London: Nov 27/28

In March 2007, we started series of **free, global webinars** examining different aspects of withholding tax. To receive further details and register, email: Education@GlobeTax.com

Past Webinars:

Our webinar program has been very successful, with tremendous domestic and international participation. To view our past webinar presentations please visit our website www.GlobeTax.com and click

on the Education link under the Resources menu.

March - Hedge Funds

April - Institutional Investors

May - Investment & Asset Managers

June - Trustees & Administrators

July - Market Reference Data

Upcoming Webinars:

September - Custodians

- focus on technology issues including SWIFT messaging, operational issues such as Depository Receipt processing and omnibus account structures.

October - Service Bureau (SIBOS edition)

- updates custodians with the latest developments of the SWIFT based TaxReclaim Service Bureau.

November - Corporate Governance

- for the CEOs, CIOs and CFOs of the Fortune 500. What executives need to know and do to maximize the value they deliver to investors.

December - Strategic & Regulatory

- review the progress of a number of withholding tax initiatives including MiFID, Giovannini and the G30. Also covered will be Data Protection and a review of recent EU legal rulings and their effects.

Tax Withholding News

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